

Message Text

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TO AMEMBASSY LIMA IMMEDIATE
AMEMBASSY BUENOS AIRES IMMEDIATE
AMEMBASSY VIENNA IMMEDIATE

C O N F I D E N T I A L STATE 037044

USIAEA

E.O. 11652: GDS

TAGS: PARM, MNUC, IAEA, TECH, AR, PE

SUBJECT: US ORIGIN FUEL FOR ARGENTINA REACTOR LOAN TO PERU

1. EXCHANGE OF NOTES BETWEEN US AND PERU WHICH MESHES WITH PROJECT AND SUPPLY AGREEMENTS AS REVISED BY US FOUND AT PARAS 2 AND 3. ONLY CHANGES MADE IN NOTES AGREED TO AT NOSENZO-BARRERA TALKS ARE (1) ADDITION OF PHYSICAL PROTECTION LANGUAGE DUE TO REQUEST BY ARGENTINA AND AGENCY TO DELETE LANGUAGE FROM SUPPLY AGREEMENT; AND, (2) ADDITION OF LANGUAGE TO INCLUDE PERU'S ARTICLE V, SECTION 9 UNDERTAKING UNDER BACKUP SAFEGUARDS PROVISION.

2. FOLLOWING IS US NOTE. BEGIN TEXT. EXCELLENCY: I HAVE
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THE HONOR TO REFER TO THE PROJECT AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF PERU AND THE INTERNATIONAL ATOMIC ENERGY AGENCY WHEREBY THE AGENCY HAS GRANTED ITS ASSISTANCE TO PERU IN ESTABLISHING A RESEARCH REACTOR PROJECT AT THE PERUVIAN NUCLEAR ENERGY INSTITUTE AT LIMA (THE "PROJECT AGREEMENT"). I ALSO HAVE THE HONOR TO REFER TO

THE SUPPLY AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF PERU, THE GOVERNMENT OF THE ARGENTINE REPUBLIC, THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND THE INTERNATIONAL ATOMIC ENERGY AGENCY, WHEREBY ENRICHED URANIUM OF UNITED STATES ORIGIN IS BEING TRANSFERRED FROM ARGENTINA TO

PERU FOR USE IN A ZERO POWER RESEARCH REACTOR SUPPLIED BY ARGENTINA (THE "SUPPLY AGREEMENT").

THE GOVERNMENT OF THE UNITED STATES RECOGNIZES THAT THE GOVERNMENTS OF PERU AND THE UNITED STATES SHARE A COMMON INTEREST IN ENCOURAGING UNIVERSAL ADHERENCE TO THE TREATY ON THE NON-PROLIFERATION OF NUCLEAR WEAPONS AND THAT THE TWO GOVERNMENTS ARE DEEPLY COMMITTED TO THE PEACEFUL USES OF NUCLEAR ENERGY FOR THE BENEFIT OF THEIR PEOPLE AND OF ALL MANKIND.

THE GOVERNMENT OF THE UNITED STATES EXPRESSES ITS CONTINUING DESIRE TO ENTER INTO AN AGREEMENT FOR COOPERATION ON THE PEACEFUL USES OF NUCLEAR ENERGY WITH PERU. BOTH GOVERNMENTS RECOGNIZE THAT SUCH AN AGREEMENT FOR COOPERATION WOULD GREATLY FACILITATE THE ABILITY OF THE UNITED STATES AND PERU TO COOPERATE IN THE PEACEFUL USES OF NUCLEAR ENERGY AND TO ASSIST THE GOVERNMENT OF PERU IN MEETING ITS ENERGY NEEDS.

THE UNITED STATES CONFIRMS TO THE GOVERNMENT OF PERU THAT
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THE RELEVANT TERMS OF THE JOINT US-ARGENTINE COMMUNIQUE ISSUED ON NOVEMBER 21, 1977, WHEREBY THE UNITED STATES AGREED TO AID ARGENTINA IN FULFILLING ITS CONTRACTUAL OBLIGATIONS TO PERU TO CONSTRUCT A NUCLEAR RESEARCH CENTER, CONTINUE TO REPRESENT THE EARNEST INTENTIONS OF THE GOVERNMENT OF THE UNITED STATES. THE UNITED STATES IS PLEASED TO BE ABLE TO BE OF ASSISTANCE TO THE GOVERNMENTS OF ARGENTINA AND PERU IN COMPLETING THIS PROJECT. DURING THE DISCUSSIONS LEADING UP TO THE PROJECT AND SUPPLY AGREEMENTS, WHICH WERE SIGNED TODAY, THE FOLLOWING ADDITIONAL UNDERSTANDINGS WERE REACHED.

IN THE EVENT THAT PERU OR THE UNITED STATES BECOMES AWARE OF CIRCUMSTANCES WHICH DEMONSTRATE THAT THE AGENCY IS FOR ANY REASON UNABLE TO APPLY SAFEGUARDS AS PROVIDED FOR BY THE AGREEMENT FOR THE APPLICATION OF SAFEGUARDS IN CONNECTION WITH THE TREATY FOR THE PROHIBITION OF NUCLEAR WEAPONS IN LATIN AMERICA AND THE TREATY ON THE NON-PROLIFERATION OF NUCLEAR WEAPONS (THE "SAFEGUARD AGREEMENT") OR UNDER OTHER ARRANGEMENTS FOR THE IMPLEMENTATION OF THE AGENCY SAFEGUARDS RIGHTS AND RESPONSIBILITIES AS SPECIFIED

IN SECTION 4 OF ARTICLE III OF THE PROJECT AGREEMENT AND AS REFERENCED IN SECTION 10 OF ARTICLE V OF THE SUPPLY AGREEMENT OR TO ENSURE THAT THE UNDERTAKING MADE BY THE GOVERNMENT OF PERU IN ARTICLE V, SECTION 9 OF THE SUPPLY AGREEMENT IS BEING FULFILLED, THE PROVISIONS OF NUMBERED PARAS 1, 2, AND 3, SHALL APPLY. THESE PROVISIONS REFLECT THE TERMS OF UNITED STATES BILATERAL SAFEGUARDS

ARRANGEMENTS WHICH ARE PROVIDED FOR IN ALL UNITED STATES BILATERAL AGREEMENTS FOR COOPERATION AND WHICH WOULD BE IMPLEMENTED ONLY IN THE CIRCUMSTANCES REFERRED TO ABOVE.

1. THE UNITED STATES SHALL HAVE THE RIGHT TO REVIEW WITH PERU THE DESIGN OF

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(I) THE ZERO POWER RESEARCH REACTOR, AND

(II) ANY OTHER EQUIPMENT, THE DESIGN OF WHICH THE UNITED STATES DETERMINES TO BE RELEVANT TO THE EFFECTIVE APPLICATION OF SAFEGUARDS, WHICH ARE TO USE, FABRICATE OR PROCESS ANY MATERIAL TRANSFERRED PURSUANT TO THE AGREEMENT OR ANY SPECIAL NUCLEAR MATERIAL USED IN OR PRODUCED THROUGH THE USE OF SUCH MATERIAL.

2. THE UNITED STATES SHALL HAVE THE RIGHT TO REQUIRE THE MAINTENANCE AND PRODUCTION OF RECORDS AND TO REQUEST AND RECEIVE REPORTS FOR THE PURPOSE OF ASSISTING IN ENSURING THE ACCOUNTABILITY FOR ANY MATERIAL TRANSFERRED TO PERU PURSUANT TO THIS AGREEMENT AND ANY SOURCE MATERIAL OR SPECIAL NUCLEAR MATERIAL USED IN OR PRODUCED THROUGH THE USE OF SUCH MATERIAL SO TRANSFERRED.

3. FOR PURPOSES OF ENSURING THAT THERE IS COMPLIANCE WITH THIS AGREEMENT, THE UNITED STATES SHALL AS NECESSARY TO ACCOUNT FOR THE MATERIAL SUBJECT TO PARAGRAPH 2, HAVE THE RIGHT TO:

(A) DESIGNATE, AFTER CONSULTATION WITH PERU, PERSONNEL, WHO ACCOMPANIED, IF EITHER PARTY SO REQUESTS, BY PERSONNEL DESIGNATED BY PERU, SHALL HAVE ACCESS IN PERU TO ALL PLACES AND DATA,

(B) INSPECT ANY EQUIPMENT,

(C) INSTALL ANY DEVICES, AND

(D) MAKE SUCH INDEPENDENT MEASUREMENTS AS MAY BE DEEMED NECESSARY.

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IN ACCORDANCE WITH ITS OBLIGATIONS UNDER THE SAFEGUARD AGREEMENT, PERU SHALL ESTABLISH AND MAINTAIN A SYSTEM OF ACCOUNTING FOR AND CONTROL OF ALL MATERIAL SUBJECT TO THE AGREEMENT, TO BE BASED ON A STRUCTURE OF MATERIAL BALANCE AREAS AND TO INCLUDE SUCH MEASURES AS:

(A) A MEASUREMENT SYSTEM, WHICH CONFORMS TO THE LATEST INTERNATIONAL STANDARDS OR IS EQUIVALENT IN QUALITY TO SUCH STANDARDS, FOR THE DETERMINATION OF THE QUANTITIES OF NUCLEAR MATERIAL RECEIVED, PRODUCED, SHIPPED, LOST OR OTHERWISE REMOVED FROM INVENTORY, AND THE QUANTITIES ON INVENTORY;

(B) THE EVALUATION OF PRECISION AND ACCURACY OF MEASUREMENTS AND THE ESTIMATION OF MEASUREMENT UNCERTAINTY;

(C) PROCEDURES FOR IDENTIFYING, REVIEWING AND EVALUATING DIFFERENCES BETWEEN SHIPPER AND RECEIVER MEASUREMENTS;

(D) PROCEDURES FOR TAKING A PHYSICAL INVENTORY;

(E) PROCEDURES FOR THE EVALUATION OF ACCUMULATIONS OF MEASURED INVENTORY AND UNMEASURED LOSSES;

(F) A SYSTEM OF RECORDS AND REPORTS SHOWING, FOR EACH MATERIAL BALANCE AREA, THE INVENTORY OR MATERIAL AND THE CHANGES IN THAT INVENTORY INCLUDING RECEIPTS INTO AND TRANSFERS OUT OF THE MATERIAL BALANCE AREA;

(G) PROVISIONS TO ENSURE THAT THE ACCOUNTING PROCEDURES AND ARRANGEMENTS ARE BEING OPERATED CORRECTLY; AND,

(H) OTHER SYSTEMS OF MEASUREMENT, CONTAINMENT AND SURVEILLANCE AS ARE NECESSARY TO FACILITATE THE APPLICATION OF SAFEGUARDS.

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THE UNITED STATES EXPRESSES ITS CONVICTION THAT PERU INTENDS TO COMPLY WITH ALL OF ITS OBLIGATIONS UNDER THE SUPPLY AGREEMENT. THE UNITED STATES WISHES TO POINT OUT THAT IT IS A GENERAL REQUIREMENT OF THE UNITED STATES WITH RESPECT TO TERMINATION OF COOPERATION THAT IF ANY RECIPIENT

OF UNITED STATES ORIGIN MATERIAL AT ANY TIME FOLLOWING
ENTRY INTO FORCE OF AN APPLICABLE NEW OR AMENDED AGREEMENT
FOR COOPERATION:

(A) DOES NOT COMPLY WITH THE PROVISIONS OF ARTICLES V OR
VII OF THE SUPPLY AGREEMENT OR WITH THIS EXCHANGE OF NOTES;

(B) DOES NOT ACCEPT SAFEGUARDS AS PROVIDED FOR BY THE
SAFEGUARDS AGREEMENT;

(C) DETONATES A NUCLEAR EXPLOSIVE DEVICE;

(D) TERMINATES OR ABROGATES IAEA SAFEGUARDS; OR,

THE UNITED STATES SHALL HAVE THE RIGHT TO REQUIRE THE
RETURN OF ANY UNITED STATES ORIGIN MATERIAL OR ANY
MATERIAL PRODUCED THROUGH ITS USE WHICH IS SUBJECT TO THE
AGREEMENT.

IN THE EVENT THAT THE UNITED STATES EXERCISES ITS RIGHTS
UNDER THIS EXCHANGE OF NOTES TO REQUIRE THE RETURN OF ANY
UNITED STATES ORIGIN MATERIAL OR MATERIAL PRODUCED THROUGH
ITS USE, THIS MATERIAL MAY BE RETURNED TO THE PARTY HAVING
TITLE OVER THE MATERIAL, WITH THE PRIOR APPROVAL OF THE
UNITED STATES AND SUBJECT TO AN APPLICABLE AGREEMENT FOR
COOPERATION. THE UNITED STATES SHALL PAY THE COST OF
SHIPMENT. IN THE EVENT OF RETURN TO THE UNITED STATES,
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THE UNITED STATES SHALL REIMBURSE THE PARTY HAVING TITLE
OVER THE MATERIAL THE FAIR MARKET VALUE.
ANY DISPUTES AS TO THE AMOUNT
OF SUCH REIMBURSEMENT SHALL BE SETTLED PURSUANT TO SEC-
TION 15 OF ARTICLE VIII OF THE SUPPLY AGREEMENT.

THE GOVERNMENT OF PERU AND THE GOVERNMENT OF THE UNITED
STATES SHALL PERIODICALLY EXCHANGE INFORMATION CONCERNING
THE PHYSICAL PROTECTION MEASURES MAINTAINED BY PERU PUR-
SUANT TO ARTICLE VII OF THE SUPPLY AGREEMENT. THE ADE-
QUACY AND IMPLEMENTATION OF THESE PHYSICAL PROTECTION
MEASURES MAY BE REVIEWED BY THE GOVERNMENT OF PERU AND
THE GOVERNMENT OF THE UNITED STATES FROM TIME TO TIME,
WHENEVER EITHER GOVERNMENT IS OF THE VIEW THAT A REVISION
MAY BE REQUIRED TO MAINTAIN ADEQUATE PHYSICAL PROTECTION.

IF THE GOVERNMENT OF PERU CONCURS, I SUGGEST THAT THIS
NOTE AND YOUR EXCELLENCY'S REPLY BE REGARDED AS CONSTITU-
TING AN AGREEMENT BETWEEN OUR TWO GOVERNMENTS WITH THE
DURATION AS PROVIDED IN SECTION 18 OF ARTICLE IX OF THE
SUPPLY AGREEMENT. END TEXT.

3. FOLLOWING IS PERUVIAN NOTE. BEGIN TEXT. EXCELLENCY:
I HAVE THE HONOR TO REFER TO YOUR NOTE OF () WHICH
SETS FORTH CERTAIN UNDERSTANDINGS REACHED BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF PERU AND THE GOVERNMENT OF
THE UNITED STATES OF AMERICA DURING DISCUSSIONS LEADING
UP TO THE PROJECT AGREEMENT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF PERU AND THE INTERNATIONAL ATOMIC ENERGY
AGENCY WHEREBY THE AGENCY HAS GRANTED ITS ASSISTANCE TO
PERU IN ESTABLISHING A RESEARCH REACTOR PROJECT AT THE
PERUVIAN NUCLEAR ENERGY INSTITUTE AT LIMA (THE "PROJECT
AGREEMENT") AND THE SUPPLY AGREEMENT BETWEEN THE GOVERN-
MENT OF THE REPUBLIC OF PERU, THE GOVERNMENT OF THE ARGEN-
TINE REPUBLIC, THE GOVERNMENT OF THE UNITED STATES OF

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AMERICA, AND THE INTERNATIONAL ATOMIC ENERGY AGENCY,
WHEREBY ENRICHED URANIUM OF UNITED STATES ORIGIN IS BEING
TRANSFERRED FROM ARGENTINA TO PERU FOR USE IN A ZERO POWER
RESEARCH REACTOR SUPPLIED BY ARGENTINA (THE "SUPPLY AGREE-
MENT").

THE GOVERNMENT OF THE REPUBLIC OF PERU RECOGNIZES THAT THE
GOVERNMENTS OF PERU AND THE UNITED STATES SHARE A COMMON
INTEREST IN ENCOURAGING UNIVERSAL ADHERENCE TO THE TREATY
ON THE NON-PROLIFERATION OF NUCLEAR WEAPONS AND THAT THE
TWO GOVERNMENTS ARE DEEPLY COMMITTED TO THE PEACEFUL USES
OF NUCLEAR ENERGY FOR THE BENEFIT OF THEIR PEOPLE AND OF
ALL MANKIND.

THE GOVERNMENT OF THE REPUBLIC OF PERU EXPRESSES ITS CON-
TINUING DESIRE TO ENTER INTO AN AGREEMENT FOR COOPERATION
ON THE PEACEFUL USES OF NUCLEAR ENERGY WITH THE UNITED
STATES. BOTH GOVERNMENTS RECOGNIZE THAT SUCH AGREEMENT
FOR COOPERATION WOULD GREATLY FACILITATE THE ABILITY OF
PERU AND THE UNITED STATES TO COOPERATE IN THE PEACEFUL
USES OF NUCLEAR ENERGY AND TO ASSIST PERU IN MEETING ITS
ENERGY NEEDS.

THE GOVERNMENT OF THE REPUBLIC OF PERU ALSO TAKES NOTE OF
THE CONFIRMATION BY THE GOVERNMENT OF THE UNITED STATES
IN YOUR EXCELLENCY'S NOTE THAT THE RELEVANT TERMS OF THE
JOINT US-ARGENTINE COMMUNIQUE ISSUED ON NOVEMBER 21,
1977, WHEREBY THE UNITED STATES AGREED TO AID ARGENTINA
IN FULFILLING ITS CONTRACTUAL OBLIGATIONS TO PERU TO CON-
STRUCT A NUCLEAR RESEARCH CENTER, CONTINUE TO REPRESENT
THE EARNEST INTENTIONS OF THE GOVERNMENT OF THE UNITED
STATES. DURING THE DISCUSSIONS LEADING UP TO THE PRO-
JECT AND SUPPLY AGREEMENTS, WHICH WERE SIGNED TODAY, THE

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FOLLOWING ADDITIONAL UNDERSTANDINGS WERE REACHED.

IN THE EVENT THAT THE GOVERNMENT OF THE REPUBLIC OF PERU OR THE UNITED STATES BECOMES AWARE OF CIRCUMSTANCES WHICH DEMONSTRATE THAT THE AGENCY IS FOR ANY REASON UNABLE TO APPLY SAFEGUARDS AS PROVIDED FOR BY THE AGREEMENT FOR THE APPLICATION OF SAFEGUARDS IN CONNECTION WITH THE TREATY FOR THE PROHIBITION OF NUCLEAR WEAPONS IN LATIN AMERICA AND THE TREATY ON THE NON-PROLIFERATION OF NUCLEAR WEAPONS (THE "SAFEGUARD AGREEMENT") OR UNDER OTHER ARRANGEMENTS FOR THE IMPLEMENTATION OF THE AGENCY SAFEGUARDS RIGHTS AND RESPONSIBILITIES AS SPECIFIED IN SECTION 4 OF ARTICLE III OF THE PROJECT AGREEMENT AND AS REFERENCED IN SECTION 10 OF ARTICLE V OF THE SUPPLY AGREEMENT OR TO ENSURE THAT THE UNDERTAKING MADE BY THE GOVERNMENT OF PERU IN ARTICLE V, SECTION 9 OF THE SUPPLY AGREEMENT IS

IS BEING FULFILLED, THE PROVISIONS OF NUMBERED PARAGRAPHS 1, 2, AND 3, SHALL APPLY. THESE PROVISIONS REFLECT THE TERMS OF UNITED STATES BILATERAL SAFEGUARDS ARRANGEMENTS WHICH ARE PROVIDED FOR IN ALL UNITED STATES BILATERAL AGREEMENTS FOR COOPERATION AND WHICH WOULD BE IMPLEMENTED ONLY IN THE CIRCUMSTANCES REFERRED TO ABOVE.

1. THE UNITED STATES SHALL HAVE THE RIGHT TO REVIEW WITH PERU THE DESIGN OF

(I) THE ZERO POWER RESEARCH REACTOR, AND

(II) ANY OTHER EQUIPMENT, THE DESIGN OF WHICH THE UNITED STATES DETERMINES TO BE RELEVANT TO THE EFFECTIVE APPLICATION OF SAFEGUARDS, WHICH ARE TO USE, FABRICATE OR PROCESS ANY MATERIAL TRANSFERRED PURSUANT TO THE AGREEMENT OR ANY SPECIAL NUCLEAR MATERIAL USED IN OR PRODUCED THROUGH THE USE OF SUCH MATERIAL.

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2. THE UNITED STATES SHALL HAVE THE RIGHT TO REQUIRE THE MAINTENANCE AND PRODUCTION OF RECORDS AND TO REQUEST AND RECEIVE REPORTS FOR THE PURPOSE OF ASSISTING IN ENSURING THE ACCOUNTABILITY FOR ANY MATERIAL TRANSFERRED TO PERU PURSUANT TO THIS AGREEMENT AND ANY SOURCE MATERIAL OR SPECIAL NUCLEAR MATERIAL USED IN OR PRODUCED THROUGH THE

USE OF SUCH MATERIAL SO TRANSFERRED.

3. FOR PURPOSES OF ENSURING THAT THERE IS COMPLIANCE WITH THIS AGREEMENT, THE UNITED STATES SHALL AS NECESSARY TO ACCOUNT FOR THE MATERIAL SUBJECT TO PARAGRAPH 2, HAVE THE RIGHT TO:

(A) DESIGNATE, AFTER CONSULTATION WITH PERU, PERSONNEL, WHO ACCOMPANIED, IF EITHER PARTY SO REQUESTS, BY PERSONNEL DESIGNATED BY PERU, SHALL HAVE ACCESS IN PERU TO ALL PLACES AND DATA,

(B) INSPECT ANY EQUIPMENT,

(C) INSTALL ANY DEVICES, AND

(D) MAKE SUCH INDEPENDENT MEASUREMENTS AS MAY BE DEEMED NECESSARY.

IN ACCORDANCE WITH ITS OBLIGATIONS UNDER THE SAFEGUARD AGREEMENT, PERU SHALL ESTABLISH AND MAINTAIN A SYSTEM OF ACCOUNTING FOR AND CONTROL OF ALL MATERIAL SUBJECT TO THE AGREEMENT, TO BE BASED ON A STRUCTURE OF MATERIAL BALANCE AREAS AND TO INCLUDE SUCH MEASURES AS:

(A) A MEASUREMENT SYSTEM, WHICH CONFORMS TO THE LATEST INTERNATIONAL STANDARDS OR IS EQUIVALENT IN QUALITY TO CONFIDENTIAL

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SUCH STANDARDS, FOR THE DETERMINATION OF THE QUANTITIES OF NUCLEAR MATERIAL RECEIVED, PRODUCED, SHIPPED, LOST OR OTHERWISE REMOVED FROM INVENTORY, AND THE QUANTITIES ON INVENTORY;

(B) THE EVALUATION OF PRECISION AND ACCURACY OF MEASUREMENTS AND THE ESTIMATION OF MEASUREMENT UNCERTAINTY;

(C) PROCEDURES FOR IDENTIFYING, REVIEWING AND EVALUATING DIFFERENCES BETWEEN SHIPPER AND RECEIVER MEASUREMENTS;

(D) PROCEDURES FOR TAKING A PHYSICAL INVENTORY;

(E) PROCEDURES FOR THE EVALUATION OF ACCUMULATIONS OF MEASURED INVENTORY AND UNMEASURED LOSSES;

(F) A SYSTEM OF RECORDS AND REPORTS SHOWING, FOR EACH MATERIAL BALANCE AREA, THE INVENTORY OR MATERIAL AND THE CHANGES IN THAT INVENTORY INCLUDING RECEIPTS INTO AND TRANSFERS OUT OF THE MATERIAL BALANCE AREA;

(G) PROVISIONS TO ENSURE THAT THE ACCOUNTING PROCEDURES AND ARRANGEMENTS ARE BEING OPERATED CORRECTLY; AND,

(H) OTHER SYSTEMS OF MEASUREMENT, CONTAINMENT AND SURVEILLANCE AS ARE NECESSARY TO FACILITATE THE APPLICATION OF SAFEGUARDS.

THE GOVERNMENT OF THE REPUBLIC OF PERU IS COMMITTED TO COMPLY WITH ALL OF ITS OBLIGATIONS UNDER THE SUPPLY AGREEMENT AND AGREES TO THE GENERAL REQUIREMENT OF THE UNITED STATES WITH RESPECT TO TERMINATION OF COOPERATION REFERRED TO IN YOUR EXCELLENCY'S NOTE OF ().

IN THE EVENT THAT THE UNITED STATES EXERCISES ITS RIGHTS UNDER THIS EXCHANGE OF NOTES TO REQUIRE THE RETURN OF ANY CONFIDENTIAL

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UNITED STATES ORIGIN MATERIAL OR MATERIAL PRODUCED THROUGH ITS USE, PERU AGREES THAT THIS MATERIAL MAY BE RETURNED TO THE PARTY HAVING TITLE OVER THE MATERIAL, WITH THE PRIOR APPROVAL OF THE UNITED STATES AND SUBJECT TO AN APPLICABLE AGREEMENT FOR COOPERATION. PERU UNDERSTANDS THE UNITED STATES SHALL PAY THE COST OF SHIPMENT. IN THE EVENT OF RETURN TO THE UNITED STATES, PERU UNDERSTANDS THAT THE UNITED STATES SHALL REIMBURSE THE PARTY HAVING TITLE OVER THE MATERIAL THE FAIR MARKET VALUE. PERU FURTHER UNDERSTANDS THAT ANY DISPUTES AS TO THE AMOUNT OF SUCH REIMBURSEMENT SHALL BE

SETTLED PURSUANT TO SECTION 15 OF ARTICLE VIII OF THE SUPPLY AGREEMENT.

PERU ALSO AGREES THAT THE GOVERNMENT OF PERU AND THE GOVERNMENT OF THE UNITED STATES SHALL PERIODICALLY EXCHANGE INFORMATION CONCERNING THE PHYSICAL PROTECTION MEASURES MAINTAINED BY PERU PURSUANT TO ARTICLE VII OF THE SUPPLY AGREEMENT. THE ADEQUACY AND IMPLEMENTATION OF THESE PHYSICAL PROTECTION MEASURES MAY BE REVIEWED BY THE GOVERNMENT OF PERU AND THE GOVERNMENT OF THE UNITED STATES FROM TIME TO TIME, WHENEVER EITHER GOVERNMENT IS OF THE VIEW THAT A REVISION MAY BE REQUIRED TO MAINTAIN ADEQUATE PHYSICAL PROTECTION.

THE GOVERNMENT OF THE REPUBLIC OF PERU AGREES THAT YOUR EXCELLENCY'S NOTE AND THIS REPLY SHALL BE REGARDED AS CONSTITUTING AN AGREEMENT BETWEEN OUR TWO GOVERNMENTS WITH THE DURATION AS PROVIDED IN SECTION 18 OF ARTICLE IX OF THE SUPPLY AGREEMENT. END TEXT. CHRISTOPHER

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